

## Message Text

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ACTION ARA-15

INFO OCT-01 ISO-00 XMB-02 EB-08 /026 W  
-----013622 151447Z /45  
R 131630Z SEP 78  
FM AMCONSUL GUAYAQUIL  
TO USDOC WASHDC  
INFO SECSTATE WASHDC 6396  
AMEMBASSY QUITO

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USDOC PLEASE INFORM RICHARD D. CRAFTON, EXIMBANK, WASHDC

EO 11652: N/A  
TAGS: BEXPN, EC  
SUBJ: MAJOR PROJECT: POWER GENERATING EQUIPMENT

REF: (A) QUITO 6033; (B) STATE 193987

1. THE INFORMATION CONTAINED IN THIS CABLE WAS NOT OBTAINED FROM INECEL - ECUADOREAN ELECTRIC POWER INSTITUTE, NOR FROM ECUADOREAN OFFICIALS. IN OBTAINING THE INFORMATION WE DID NOT MENTION THE NAME OF STEWARD & STEVESEN OR ANY OTHER U.S. FIRM, NOR DID WE PROMOTE THE BUYING OF U.S. EQUIPMENT. WE ARE SUBMITTING THIS REPORT TO OUTLINE MITSUBISHI'S ACTIVITIES IN ECUADOR. BECAUSE OF THEIR "TRACK RECORD", IT APPEARS THAT THEY ARE EXERTING PRESSURE TO WIN THE MILAGRO CONTRACT.

2. INECEL AWARDED QUITO SUBSIDIARY OF MITSUBISHI CORP. A CONTRACT DURING 1975 TO SUPPLY SECOND STEAM PLANT FOR GUAYAQUIL'S "ESTERO SALADO" FACILITY. COMPLETION WAS THROUGH PUBLIC TENDER. APPEARS CONTRACT PROVIDED 100 PERCENT FINANCING OF ALL EQUIPMENT, MATERIAL AND SERVICES REQUIRED TO DESIG, FABRICATE, TRANSPORT, IN-

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SURE, INSTALL AND OPERATE UNIT, PLUS CONSTRUCTION INCLUDING LABOR. ORIGINAL FINANCING TERMS WERE AS FOLLOWS:

A) YEN 7,173,859,900. THIRTY PERCENT RE-PAID BY INECEL OVER CONTRACT PERIOD IN THREE DIFFERENT METHODS AND PERCENTAGES. BALANCE OF SEVENTY PERCENT OF LOAN

PAID IN NINETEEN SEMI-ANNUAL PAYMENTS STARTING ONE YEAR AFTER UNIT ACCEPTED AND WITH AN ANNUAL INTEREST OF 7.5 PERCENT STARTING WITH THE FINAL EQUIPMENT SHIPMENT.

B) U.S. DOLS 1,762,920. TERMS AS ABOVE.

C) SUCRES 114,298.915. TERMS AS ABOVE.

D) FINANCING OBTAINED FROM:

A) YEN - THIRTY PERCENT FROM FUR WIEDERAUFBAU DE ALEMANIA FEDERAL AND GUARANTEED BY GOE. BALANCE OF 70 PERCENT BY A SUPPLIER'S CREDIT FROM JAPAN'S EXPORT-IMPORT BANK.

B) DOLLARS- THIRTY PERCENT FINANCED BY GOE'S

INECEL. BALANCE OF 70 PERCENT BY A SUPPLIER'S CREDIT FROM JAPAN'S EXPORT-IMPORT BANK.

C) SUCRES- THIRTY PERCENT BY INECEL. BALANCE OF 70 PERCENT BY A SUPPLIER'S CREDIT FROM JAPAN'S EXPORT-IMPORT BANK.

D) EXCHANGE RATE OF SUPPLIER'S CREDIT IS:  
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US\$1 EQUALS 299.55 YEN AND US\$1 EQUALS 24.80 SUCRES.

3. A COPY OF THE 1975 CONTRACT BETWEEN INECEL AND MITSUBISHI IS AVAILABLE; IF USDOC SO DESIRE ADVISE SO THAT COPY CAN BE POUCHED.

4. ABOVE BACKGROUND IS PROVIDED BECAUSE DURING 1978 INECEL AWARDED MITSUBISHI CORP. THIRD STEAM PLANT UNIT FOR GUAYAQUIL'S "ESTERO SALADO" FACILITY. IT APPEARS THAT CONSTRUCTION FOR THIS UNIT HAS OR WILL SOON START. THE MITSUBISHI UNIT AWARDED BY 1975 CONTRACT SHOULD START GENERATING DURING OCTOBER , 1978. TWO INTERESTING POINTS ARE OFFERED REGARDING THE 1978 CONTRACT:

A) NO PUBLIC TENDER WAS ISSUED. CONTRACT WAS AWARDED AS A RESULT OF DIRECT NEGOTIATIONS. THIS CAUSED PROBLEMS FOR BOTH INECEL AND MITSUBISHI.

B) APPARENTLY TOTAL VALUE OF THE 1978 CONTRACT AND TERMS ARE THE SAME AS THOSE LISTED IN THE 1975 CON-

TRACT. SIZE OF MITSUBISHI UNIT AND SCOPE OF WORK WAS THE SAME.

5. THOUGH MITSUBISHI CORP. WAS AWARDED THE TWO GUAYAQUIL UNITS, WORK WAS PERFORMED BY MITSUBISHI HEAVY INDUSTRIES. DURING 1977 MELCO OR MITSUBISHI ELECTRIC COMPANY RECEIVED A CONTRACT FROM THE CITY OF MANTA TO PROVIDE TWO LARGE DIESEL GENERATING UNITS, AND ONCE AGAIN, THE ERECTION WAS TO BE PERFORMED BY MITSUBISHI HEAVY INDUSTRIES. AWARD WAS WON THROUGH A PUBLIC TENDER. TERMS AND CONDITIONS OF JAPANESE CONTRACT ARE UNKNOWN.

6. THOUGH SCOPE OF ESMERALDAS JOB IS GREATER THAN LIMITED OFFICIAL USE

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THE WORK REQUIRED FOR GUAYAQUIL'S SECOND AND THIRD UNIT, MITSUBISHI'S 1978 QUOTATION WAS LOWER. IT WAS EITHER US \$30 OR 36 MILLIONS, WITH THE ITALIANS COMING IN WITH A BID OF US\$6 MILLION HIGHER. WHEN INECEL AWARDED JAPANESE WITH GUAYAQUIL'S THIRD UNIT BASED ON "FRIENDLY NEGOTIATIONS", AND NOT ON A PUBLIC BID, THEY WERE CRITICIZED; AND ACCORDING TO RUMORS, INECEL WAS EMBARRASSED AND THEN CHANGED DIRECTION BY FAVORING THE ITALIANS. ACCORDING TO OUR INFORMATION, UNKNOWN SOURCES ACCUSED INECEL IN THE PRESS OF WRONG DOING. AFTER THIS "NAME CALLING" INCIDENT, YELLING STOPPED AND INECEL WENT ON TO NEGOTIATE CONTRACT WITH ITALIANS.

7. BIDS HAVE BEEN RECEIVED FOR THE MILAGRO UNIT. SITUATION APPEARS CALM BUT WE HAVE BEEN TOLD THAT MR. ALFONSO DELFINI-MECHELLI, MANAGER OF D.E.L.T.A.-DELFINI & CIA., AND ALLEGEDLY TECHNICAL ADVISOR TO MITSUBISHI, IS HARD AT WORK PROMOTING HIS CLIENT'S INTERESTS. (SEE WTDR #74-067 DATED AUGUST 9, 1974). OUR UNDERSTANDING IS THAT MR. DELFINI HAS EXCELLENT POLITICAL FRIENDS INCLUDING THE PAST MANAGER OF INECEL, QUITO, AND FORMER MINISTER OF NATURAL RESOURCES. AT ONE TIME, MR. DELFINI WORKED FOR EMPRESA ELECTRICA DEL ECUADOR, INC. AND HAS FRIENDS IN THE ENERGY INDUSTRY.

8. ANOTHER INDIVIDUAL ALLEGEDLY BEING PAID BY MITSUBISHI IS GONZALO VELA-COBOS. THIS PERSON IS UNKNOWN TO OUR COMMERCIAL SECTION.

9. UNLESS WE ARE SO INSTRUCTED, WE WILL NOT OBTAIN ADDITIONAL BACKGROUND INFORMATION. ROJAS REPORTS. LIMITED OFFICIAL USE

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## Message Attributes

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